

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION

WRIT PETITION NO.2054 OF 2025

Pidilite Industries Limited,
Regent Chambers, 7th Floor,
Jamnalal Bajaj Marg, 208, Nariman Point,
Mumbai-400 021.

Petitioner

versus

1. The Union of India,
2. The Principal Commissioner of Central
Goods and Services Tax and C.Ex,
Mumbai South, Divn.-VIII, Range IV, Mumbai,
3. The Additional Commissioner of Central Goods
and Service Tax and C.Ex Mumbai South,
Div-VIII, Range IV, Mumbai.

Respondents

Mr.Prakash Shah, Senior Advocate, with Mr.Mohit Raval i/by PDS Legal for
Petitioner.

Ms.Jyoti Chavan, Additional Govt.Pleader with Ms.Sheetal Malvankar, AGP, for
Respondent State.

Ms.Maya Majumdar i/by Ms.Megha Bajoria for Respondent nos.2 and3.

CORAM: G. S. KULKARNI &
AARTI SATHE, JJ.

DATE: 20th February 2026

ORAL JUDGMENT – (Per : G.S.Kulkarni, J.) :-

1. This petition under Article 226 of the Constitution of India challenges
the Order-in-Original dated 5th February 2025 issued by Respondent no.3
primarily on the ground that it is against the principles of natural justice and more
particularly the same having passed without furnishing to the Petitioner the copies

of verification reports. At the outset, the prayers made in the petition are required to be noted, which read thus :

“a. this Hon’ble Court be pleased to issue a Writ of Certiorari or a writ in the nature of Certiorari or any other writ, order or direction under Article 226 of the Constitution of India calling for the records pertaining to the Petitioners’ case and after going into the validity and legality thereof quash and set aside the impugned Original-in-Original No.218/ADC/MUM-SOUTH/VS/2024-25 dated 05.02.2025, issued in Form GST DRC-07 (Reference No.ZD270225-29464G) dated 05.02.2025 by the Respondent No.3 (Exhibit A);

b. this Hon’ble Court be pleased to issue a Writ of Prohibition or a writ in the nature of Prohibition or any other appropriate writ, order or direction under Article 226 of the Constitution of India prohibiting the Respondents by themselves, their subordinate, servants and agents from acting upon or taking any further proceedings in pursuance of/or in furtherance of the impugned Order-in-Original No.218/ADC/MUM-SOUTH/VS/2024-25 dated 05.02.2025, issued in Form GST DRC-07 (Reference No.ZD270225-29464G) dated 05.02.2025 by the Respondent No.3 (Exhibit A).”

2. The facts lie in a narrow compass. The Petitioner claims to be a manufacturer of various chemical products including adhesives, industrial resin, construction chemicals etc. The Petitioner was registered with the erstwhile Sales Tax Department in the State of Maharashtra, under Central Sales Tax Act along with the then respective State Sales Tax/Value Added Tax Acts. Upon implementation of Central Goods and Services Tax Act, 2017 (‘CGST Act’), the Petitioner obtained a registration under the Goods and Services Tax Acts. It is contended that under Section 140 of the CGST Act, a provision is made for the transition of the input tax credit from existing laws to the GST regime. The Petitioner is stated to have filed GST TRAN-1 and GST TRAN-2 declarations for transition of input credit to the electronic credit ledger on 17th November 2017. On such backdrop, some time in February-2018, the Respondent no.2 initiated an audit for verification of the transition of CANVAT credit being availed by the Petitioner while being transitioned to the GST regime under Section 140 of the

CGST Act read with Rule 117 of CGST Rules. Extensive correspondence ensued between the Petitioner and the officers of Respondent no.2 during the period from February-2018 to December-2021. In such correspondence, the Petitioner has stated to have furnished all the documents as required by Respondent no.2.

3. It is the Petitioner's case that although all such information and documents were provided, on 9th December 2021, a show cause notice was issued to the Petitioner under Section 73(5) of the CGST Act read with Rule 142 of CGST Rules, calling upon the Petitioner to show cause as to why transitional credit of central tax and state tax of Rs.21,73,43,970/- claimed by the Petitioner by filing Form GST TRAN-1 and transitional credit of central tax and integrated tax of Rs.68,54,143/- claimed by the Petitioner by filing Form TRAN-2, should not be demanded and recovered from the Petitioner with interest and penalty thereon. Being aggrieved by the issuance of the show cause notice dated 9th December 2021, the Petitioner filed Writ Petition No.3269 of 2022. By an order dated 16th December 2024 passed by a Division Bench of this Court, the Petitioner was relegated to Respondent no.2 to respond to the show cause notice impugned therein. The Respondents were directed to dispose of the show cause notice after considering the Petitioner's stand.

4. It is the Petitioner's case that since the record was voluminous, the representative of Petitioner visited the office of Respondent no.3 and had explained the case on different occasions. It is contended by the Petitioner that Respondent no.3 decided to depute its officers to visit the premises of Petitioner for verification

of invoices and records. In such context, our attention is drawn to the letter dated 10th January 2025 of the Petitioner's Manager, Indirect Taxes to Respondent no.3.

5. On 13th January 2025 the Petitioner submitted its detailed reply to the show cause notice and justified the transitions of input tax credit. Pursuant to an understanding with the Petitioner, the Respondent no.3 deputed his officers for verification of invoices and records for adjudication of show cause notice. Upon verification of records, verification reports dated 27th January 2025 and 3rd February 2025 were prepared. It is the Petitioner's contention that such verification reports were required to be furnished to the Petitioner, however, this was not done. The Petitioner hence, by its letters demanded copies of verification reports so that the show cause notice can be effectively dealt with.

6. On 4th February 2025, a personal hearing was conducted by Respondent no.3 which was attended by the Authorized Representative of the Petitioner, who re-submitted a reply to the show cause notice, as also pointed out that verification reports ought to have been furnished to the Petitioner and an opportunity be granted to the Petitioner to deal with the observations which may have been made in the verification reports. The Petitioner contends that although there were significant infirmities in the procedure being adopted and such documents being not furnished to the Petitioner, nonetheless, Respondent no.3 proceeded to pass the impugned order on the show cause notice dated 5th February 2025, demanding transitional credit amounting to Rs.15,34,19,665/- transitioned by the Petitioner in Form GST TRAN-1 and of Rs.68,54,143/- transitioned by the

Petitioner through Form GST TRAN-2 along with interest as also imposed penalty of Rs.16,02,73,808/-. It is on this backdrop the present petition is filed.

7. Mr.Shah, learned counsel for the Petitioner, has drawn our attention to the record and more particularly the impugned order. Mr.Shah's submission is basically on the manner in which the impugned order has been passed, to contend that it is clearly seen that the Petitioner had documents pertaining to the payment of duty/taxes and of inputs held in stock, which were matching with the TRAN-1 claim, as made by the Petitioner. It is submitted that it is clear from the record that merely for the reason that there was a time crunch and workload, the concerned officers were not willing to look into the record. Such contention as urged on behalf of the Petitioner is also recorded in the impugned order by the concerned officer, which according to Mr.Shah would go to show that the Petitioner was always ready and willing to furnish, and in fact, it furnished, all the details in regard to transition of input tax credit. Our attention is also drawn to paragraph 14.1(ii) (internal page 17 of the impugned order), wherein the following observations are made :

Column (8) in Table 7(6) : Amount involved in SCN is Rs.7,39,49,256/- :

"... .. The taxpayer have carried forward only the total amount of Rs.1,64,94,592/- in table 5a and the remaining amount of Rs.5,43,66,117/- was claim in Column (8) in Table 7(b) which is not permitted as the said table only contains the details of inputs or input services which were received after 1st of July, 2017 but taxes on which were paid under the existing law. However, on verification it has been noticed that the credit of Rs.5,43,66,117/- contains 6984 Nos. of invoices is a part of closing balance of ST-3 return AAACP4156BSD012. **Therefore, the taxpayer is appears to be ineligible for Credit of Rs.5,43,66,117/- as the credit were carried forwarded in Column (8) in Table 7(b) instead of Col.6 in table 5(a).**"

(emphasis supplied)

8. Mr.Shah referring to such observations states that an opportunity ought to have been granted to the Petitioner so as to correct the columns. Mr.Shah has

also drawn our attention to the record of personal hearing, wherein according to him, the officer has also clearly recorded that the jurisdictional superintendent submitted follow up report dated 3rd March 2025 along with earlier report dated 27th January 2025 on verification of physical documentary evidence pertaining to the transitional credit, indicating that the jurisdictional superintendent verified the documents within the limited period available and has submitted the report, without verifying the large stock register due to paucity of time, and without undertaking a detailed exercise of verification the impugned order is passed. Mr.Shah also draws our attention to the following observations (internal page 19 of the impugned order), in para vii(i), which read thus :

“(i) All the invoices could not be verified due to stock declared by the tax payer is very high. Therefore, as per the guidelines given in the Circular 182/14/ 2-22- GST, taxpayer is required to produce stock declared in VAT return or any other collateral documents where stocks were declared to cross checked the the stocks held on the appointed day. However, the taxpayer not provide any of the said documents so that the stocks can be verified from the stocks of Tran-1 credit till 21.1.2025. Therefore, credit amounting to Rs.13,73,64,064/- appears to be ineligible.”

(emphasis supplied)

9. It is submitted that it is hence clear that all the invoices could not be verified, however, it was not correct to observe that the Petitioner had not supplied the evidence supporting such transition.

10. Learned counsel for Revenue, although opposes the petition, she would not dispute that there appears to be some haste in passing the impugned order on the part of the officer as she cannot dispute as to what has been observed in the impugned order. Learned counsel for the Revenue, however, submits that VAT reports were not submitted up to 21st January 2025, which contention is disputed by Mr.Shah.

11. We find substance in the contentions, as urged by Mr.Shah that, an opportunity of a fair hearing ought to have been granted to the Petitioner. It was necessary that copies of verification reports ought to have been furnished to the Petitioner, when the same were to be of relevance in coming to the conclusions as set out in the impugned order. Certainly furnishing of such verification reports, that too on the verification of documents furnished by the Petitioner, was imperative. Non furnishing of verification reports and no opportunity of a fair hearing on the same, in our opinion, certainly amounted to breach of the principles of natural justice, as behind the back of the Petitioner, no opinion could have been formed and expressed in the impugned order without the Petitioner being granted an opportunity to deal with the verification reports. On perusal of the impugned order, we are also inclined to agree with Mr.Shah that the entire exercise to pass the impugned order, was a hurried exercise, *ex facie* without verification of the entire record/invoices and other documents as noted in the impugned order. We fail to understand as to why such hasty actions would at all be resorted to by the concerned officials, upon whom an onerous duty is cast to pass an order only on complete verification of the record and in accordance with law.

12. Considering all these circumstances, we find substance in the contentions as urged on behalf of the Petitioner that it will be appropriate that a fresh process of a hearing, being granted to the Petitioner on the show cause notice needs to be the course of action by setting aside the impugned order. We are accordingly inclined to allow this petition in terms of the following order :

ORDER

- (i) The impugned order dated 5th February 2025 is quashed and set aside;
- (ii) The proceedings are remanded to the Respondent no.3 for a *de novo* consideration;
- (iii) The Respondent no.3 is directed to furnish to the Petitioner verification reports and also grant an opportunity of being heard to the Petitioner to rectify the columns, as observed in para (ii) under the heading “Column (8) in Table 7(b) : Amount involved in SCN is Rs.7,39,49,256/-” (supra);
- (iv) The Petitioner be heard on all the issues after furnishing verification reports and appropriate order in accordance with law be passed as expeditiously as possible and within a period of two months from today;
- (v) All contentions of the parties are expressly kept open;
- (vi) Disposed of in the aforesaid terms. No costs.

(AARTI SATHE, J.)

(G. S. KULKARNI, J.)